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INFO RUEHXK/ARAB ISRAELI COLLECTIVE PRIORITY

RUEKJCS/Joint STAFF WASHDC PRIORITY

RUEHGV/USMISSION GENEVA PRIORITY 0182

RHEHNSC/NSC WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 JERUSALEM 001155

SENSITIVE

SIPDIS

NEA FOR FRONT OFFICE AND NEA/IPA; PRM FOR FRONT OFFICE AND PRM/ANE; NSC FOR SHAPIRO/KUMAR; JOINT STAFF FOR LTG SELVA;
DEPT PLEASE PASS TO USAID FOR ANE/MEA:MCLOUD/BORODIN

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TAGS: PREF PREL EAID PGOV PTER ECON KWBG KPAL IS

SUBJECT: GAZA CONDITIONS CONTINUE TO DETERIORATE

REF: JERUSALEM 749

¶1. (SBU) Summary: UN and NGO contacts report that socio-economic conditions in Gaza continue to deteriorate as legitimate imports remain limited and the private sector dormant. ConGen Gaza contacts and recent visitors to Gaza report adequate supplies of basic commodities, including a glut of some staples, but rising poverty and unemployment rates, and sporadic electricity and water supply. There is little sign of rebuilding in areas damaged in the fighting six months ago. End Summary.

Socio-Economic Conditions Remain Bleak

¶2. (SBU) ConGen contacts in Gaza report that the social and economic situation has continued to deteriorate in the six months following Operation Cast Lead. According to UN contacts, nearly 80 percent of Gazans are living below the poverty line (defined as less than USD 2 per day), and the unemployment rate, currently about 45 percent, continues to climb. Much of the middle class, they said, is dropping down the socio-economic ladder into poverty. An recent European-funded wage survey revealed that unskilled workers, when they are able to find jobs, receive NIS 20-30 (roughly USD 5-8) per day, down 50 percent from before the Gaza conflict. (Note: Fresh meat costs around USD 15/kg, and cooking gas costs USD 11/canister. End Note.) According to a survey of CARE beneficiaries, food, cash and drinking water top the list of Gazans' greatest needs.

Glut of Basic Commodities;
Not Much Else (Affordable)

¶3. (SBU) UN contacts report a slight decrease in the quantity of goods shipped to Gaza in June, although the scope of materials widened to include recreational, educational, and household supplies. In June, an average of 78 truckloads per day entered, down slightly from 86 in May and compared to 475 truckloads per day in April 2007 (pre-Hamas takeover). More than 92 percent contained food, medicines, and hygiene supplies.

¶4. (SBU) Recent visitors to Gaza said that shops appear to be well stocked with food and basic consumer goods. Gaza-based contacts report a glut in the market of basic commodities typically found in UN food aid baskets, such as flour, lentils, and cooking oil. There are anecdotal reports that some of these commodities are being smuggled out of Gaza through the tunnels.

¶5. (SBU) NGOs and UN agencies report that requests for

shipments are more readily approved by the GOI's Coordinator for Government Activities in the Territories (COGAT), though they note that certain commodities that have repeatedly been rejected, like sweets, are no longer requested. UNRWA officials reported on July 6 that they were informed that tea, coffee, soup and canned foods remain prohibited.

¶6. (SBU) No construction materials, including glass, cement, and rebar, or industrial inputs, such as fabric and thread to make clothing, have entered Gaza for commercial use. Some building materials are smuggled through the tunnels, but the cost makes them unattainable for most Gazans. According to a PA Ministry of Finance contact, cement is reportedly selling for forty times the West Bank price and 160 times the Egyptian price.

Fuel and Electricity

¶7. (SBU) Contacts in Gaza report that electricity cut-offs remain frequent, and UNRWA reports rolling blackouts between 6-8 hours/day throughout most of Gaza. Electricity shortages also affect the availability of pumped, potable water, and most houses have water from the mains only two or three times per week. The Gaza power plant is receiving enough industrial diesel to produce between 50-55 MW of a total capacity of 80MW.

¶8. (SBU) Cooking gas is entering via the official crossings, but in quantities that meet only one-third of the demand. (Note: Cooking gas is reportedly too difficult to move through the tunnels. End Note.) No diesel or gasoline has

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been permitted since November 2008, although sufficient quantities (of poor quality) are smuggled through the tunnels. Gasoline is reportedly plentiful, and one-third the cost in Israel.

Areas of Northern Gaza Still in Rubble

¶9. (SBU) Recent visitors to Gaza reported that little to no progress has been made in clearing rubble from areas destroyed during Operation Cast Lead. One recent visitor told EconOff that many Gazans whose houses were destroyed sit idle in makeshift tents near their former homes during the day, and sleep at their relatives' homes at night. A Quartet Representative's Office official who accompanied Tony Blair into Gaza on June 15 said the vast destruction in Beit Hanoun and the former Erez industrial estate remained visible. Gaza City, he said, was "squalid" but "bustling." Hamas security was fully deployed during Blair's visit and clearly controlled the streets, he said.

WALLES